



*[chart also available showing results for \$59,000-a-year worker – see Appendix]*

The President proposes the largest middle-class benefit cut in Social Security’s history.

The President’s plan calls for benefit cuts that would reduce traditional Social Security benefits for 70 percent of all workers. While the President has portrayed this cut as affecting only high-income people, the truth is that the cut falls most heavily on the middle class. *Anyone making over \$20,000 a year would see their benefits cut, regardless of whether they opt for a private account.* An additional benefit cut, the “privatization tax,” would apply to workers who choose to participate in a private account.

The chart shows how much benefits would be cut, in percentage terms, for workers with average annual earnings of \$37,000 in today’s dollars. As the chart illustrates, the benefit cut is structured such that each succeeding generation will experience a larger benefit cut than the generation that preceded it. Once fully phased in (by 2075):

- A worker who had earned \$37,000 per year would have a 28 percent benefit cut.
- A worker who had earned \$58,000 per year would have a 42 percent benefit cut.
- A worker who had earned \$90,000 per year would have a 49 percent benefit cut.

## **How Would the Sliding-Scale Benefit Formula Work?**

The President's proposed "sliding-scale" benefit cut weakens the link between wages and Social Security benefits. Under the President's plan, the benefit formula for the highest earners (\$90,000 a year or more in today's dollars) would be linked solely to inflation. While benefits for workers earning less than \$20,000 a year would keep pace with wage growth, as under current law, benefits for everyone in between would be based on a mix of wage growth and inflation. Most workers would experience a benefit cut, because inflation rises more slowly than wages. Over time, each succeeding generation's benefits would fall further behind their pre-retirement standard of living.

Over time, this proposal would lead to a flat benefit amount, and Social Security would look more like a welfare program.